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C O N F I D E N T I A L SECTION 01 OF 02 ISTANBUL 000575

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TAGS: [ENRG](#) [EPET](#) [TU](#)  
SUBJECT: MINISTER GULER WELCOMES US OFFER OF HELP IN  
TURKEY'S ENERGY SECTOR

REF: ISTANBUL 553

Classified By: AMBASSADOR WILSON FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary. On Oct 30, a high-level, interagency delegation led by Department of Energy Acting Deputy Secretary Kupfer discussed Turkey's energy needs and the Southern Corridor with Energy Minister Guler. The delegation described U.S. suggestions on ways we can help Turkey. Guler responded positively and in detail. He was upbeat about progress on the Southern Corridor and said the GOT had reached agreement with Azerbaijan to buy a "certain amount" of Shah Deniz Phase II gas. Turkey continues to pursue negotiations with Turkmenistan for gas. Guler expressed frustration with European partners whose divergent interests are causing delay on the Nabucco project. End summary.

¶2. (C) Guler welcomed the delegation's offer to send a technical evaluation team in mid-December to identify areas ripe for cooperation in the energy sector. The GOT is ready to cooperate and "all data" would be made available to the team. In addition, Guler suggested the team work with the PM's Investment Promotion Agency headed by Alpaslan Korkmaz. An expedited financing procedure for energy sector projects would be very much appreciated. Turkey needs USD 120 billion of investment in the energy sector by 2020, the bulk of that for electricity.

¶3. (C) The last few months have been productive, Guler said. The GOT has had positive meetings with Azeri and Turkmen leaders and reached agreement with Azerbaijan for a certain amount of gas (no amount given). Guler said if Shah Deniz Phase II is as big as estimates suggest, then there will be sufficient gas for Greece and Italy too. Nabucco is also moving forward. The draft intergovernmental and host country agreements are now being circulated to Nabucco partner companies for their approval.

¶4. (C) U.S. support for the development of the Southern Corridor is still important for achieving diversity of supply because some Caspian states are "still under the influence of Russia," Guler said. Turkmenistan prefers a 60-70 km pipeline connecting Turkmen and Azeri off-shore platforms, as opposed to a trans-Caspian pipeline. Warming relations between Azerbaijan and Turkmenistan make such a connection more feasible. Turkey continues to seek an upstream position in Turkmenistan, perhaps partnering with firms already there. If Turkey can develop its own gas, it could take the lead in getting gas to flow westward. Guler asserted Turkey's right

to buy Turkmen gas under a 1990s contract for 16 bcm. The Turkmen conditions are a guarantee of pipeline security and the resolution of status of the Caspian Sea. The contested Serdar-Kapaz field is a major obstacle for delimitation and cannot be resolved without 3rd party intervention.

15. (C) Guler repeated a familiar refrain about the difficulties of working with the EU. While the EU has blamed Turkey for lack of progress on Nabucco, the EU's own actions and the opaque intentions of members states like Austria, Hungary, and Germany towards Russia are delaying this project. Because of the lack of transparency in the gas market, gas source countries are powerful. Guler also complained that continual EU personnel changes for the Nabucco project cause delay. He welcomed the visit of European Energy Commissioner Piebalgs to Ankara on Nov 6, but added the EU should include Turkey's energy needs in its own demand calculations.

16. (C) Guler highlighted a few specific opportunities for U.S. investment. The GOT will soon tender Afsin Elbistan plants C, D, and E with a combined total of 3,000 MW. The GOT is also pushing ahead with a second nuclear tender for 5,000 MW for the Sinop region. (Note: Experts at the Ministry of Energy have told us geologic and environmental studies of the project will not be ready soon. End note.) Both projects will have a 15 year power-purchase guarantee. Turkey should also attract manufacturing opportunities in the energy sector. Guler had previously discussed establishing a wind turbine factory in Turkey with the CEO of General

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Electric. Such a facility could be used for increased regional sales to the Middle East and Caspian states.

17. (C) Comment: Guler responded positively to the U.S. team and recognized the welcome help it provides for Turkey's energy agenda. His comment about Shah Deniz volumes for Turkey as well as Greece and Italy may mean Turkey will prioritize the Turkey-Greece-Italy pipeline as the first major line to Europe. Agreement between Turkey and Azerbaijan on Shah Deniz II volumes for Turkey is almost certainly not as worked out as Guler suggested, but there may be movement. End comment.

18. (U) The delegation has cleared this cable.

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